
Request for Lease Approval of 4018 Burron Avenue and Direct Sale of 4018 Aronec Avenue

Recommendation

1. That Administration be authorized to terminate the Lease Agreement with 101241938 Saskatchewan Ltd. at 4018 Aronec Avenue;
2. That the Administration be authorized to enter into a new Lease Agreement with 101241938 Saskatchewan Ltd. at 4018 Burron Avenue under the same terms used in the previous Lease Agreement at 4018 Aronec Avenue;
3. That the Administration be authorized to sell by direct sale 4018 Aronec Avenue (Lot 4, Block 934, Plan 102100543) to Kliever Buildings Ltd.; and
4. That the City Solicitor be requested to prepare the appropriate agreements and that His Worship the Mayor and the City Clerk be authorized to execute the agreements under the Corporate Seal.

Topic and Purpose

The purpose of this report is to obtain City Council approval to terminate the Lease Agreement with 101241938 Saskatchewan Ltd. (Sask. Ltd.) at 4018 Aronec Avenue, enter into a new Lease Agreement with the same terms at 4018 Burron Avenue, and subsequently sell 4018 Aronec Avenue to Kliever Buildings Ltd. (Kliever) for the purpose of expansion.

Report Highlights

1. Saskatoon Land received a request to transfer a lease under the Industrial Land Incentives Program from one parcel to another. In order to facilitate the transfer, the original Lease Agreement with Sask. Ltd. at 4018 Aronec Avenue must be terminated.
2. 4018 Burron Avenue has been identified as a viable site for a new Lease Agreement with the same terms as the previous lease. City Council approval will be required to enter into a new lease with the previous terms.
3. A direct sale of 4018 Aronec Avenue, adjacent to Kliever, is being requested under Council Policy No. C09-033, Sale of Serviced City-Owned Lands.

Strategic Goal

The sale of these parcels supports the four-year priority of continuing to create and support a business friendly environment and increase the tax base that is non-residential under the Strategic Goal of Economic Diversity and Prosperity.

Background

In October 2013, Sask. Ltd. entered into a long-term lease under the City of Saskatoon's (City) Industrial Land Incentives Program for properties located at 4018 Burrton Avenue and 4018 Aronec Avenue. Construction of a building at 4018 Burrton Avenue started in January 2016, and the option to purchase within the Lease Agreement was executed in November 2017. The site at 4018 Aronec Avenue is still leased but remains vacant with no immediate plans for construction.

In June 2017, Kliewer entered into a long-term lease at 4018 Aronec Avenue. Building construction started in fall 2017, and the purchase option in the Lease Agreement was executed in March 2018. Kliewer requires additional on-site truck storage to accommodate safety inspections resulting in a need for additional land which is potentially available on the adjacent site (4018 Aronec Avenue) currently leased by Sask. Ltd.

When both parties were unable to reach an agreement on an assignment of the lease at 4018 Aronec Avenue, the City was approached through an agent regarding the possibility of having the Lease Agreement at 4018 Aronec Avenue transferred to a similar vacant parcel at 4018 Burrton Avenue (Attachment 1).

Report

Termination of Lease Agreement for 4018 Aronec Avenue

In order to facilitate a potential sale of 4018 Aronec Avenue to Kliewer, the existing Lease Agreement with Sask. Ltd. must be terminated. The owner of Sask. Ltd. is amenable to termination of the Lease Agreement if a similar parcel could be leased from the City under the same terms and conditions as the current Lease Agreement held for 4018 Aronec Avenue.

Approval of New Lease for 4018 Burrton Avenue

4018 Burrton Avenue is being proposed as a replacement site (Attachment 2) for Sask. Ltd. The parcel is in close proximity to the current leased land at 4018 Aronec Avenue, is similar in size, and has similar location characteristics. However, since requirements in Council Policy No. C09-009, Industrial Land Incentives Program, have changed since Sask. Ltd. originally signed a Lease Agreement in 2013, City Council approval is required to apply the previous terms to a new long-term lease at 4018 Burrton Avenue. The significant differences between the previous policy requirements that existed in 2013 and those that exist today include:

- the existence of a three-year build time requirement to ensure improvement commitments on the land in a timely manner; and
- an increase of 1% in the interest rate that would be applied to the monthly lease payments.

On August 20, 2018, Saskatoon Land received written confirmation from Sask. Ltd. indicating acceptance of the same lease terms on the site located at 4018 Burrton Avenue.

Direct Sale

Should City Council approve a new lease at 4018 Burron Avenue under the former terms, the Administration will be in a position to recommend approval of a direct sale of 4018 Aronec Avenue to Kliwer as per the conditions outlined in Section 3.3 of Council Policy No. C09-033, Sale of Serviced City-Owned Lands.

- “3.3 The Administration may pursue or entertain direct sale, or long-term leases under the City’s Industrial Land Incentives Program of civic lands when one or more of the following conditions are present:
- c) A situation which involves extending an option to purchase to adjacent existing owners to directly purchase lots which would facilitate expansion prior to offering for tender.”

Since Kliwer’s request is to facilitate expansion on an adjacent site, the Administration is of the opinion that the request meets the conditions outlined in Council Policy No. C09-033.

Although consideration of direct sale requests is delegated to the Standing Policy Committee on Finance, the Administration recommends this sale be approved by City Council due to the interrelated complexities involved in the transactions and the requirement for City Council to approve the new lease terms.

The following terms and conditions would apply to the direct sale upon City Council approval:

1. Purchase price of \$767,700.
2. Purchase price includes all direct and off-site service levies. The Purchaser is responsible for service connections to street mains and other shallow buried utilities (e.g. gas, power and telephone).
3. The possession date is contingent upon receipt of payment in full.
4. Conditions precedent, sale is subject to Standing Policy Committee on Finance and City Council approval.
5. Payment Terms:
 - a) 10% deposit (\$76,700) within 10 days of Standing Policy Committee on Finance approval; and
 - b) Payment in full due within 60 days from the effective date of the Sale Agreement.

The purchase price noted above is consistent with the original price approved by the Standing Policy Committee on Finance upon original tendering and is reflective of comparable market sales in the area.

Options to the Recommendation

City Council can choose to not approve the lease transfer and direct sale of 4018 Aronec Avenue. The Administration does not recommend this option as the purpose of this request is to accommodate business expansion of an existing local company.

Public and/or Stakeholder Involvement

The request for a direct sale and lease transfer as outlined in Attachment 1 has been discussed between the Administration and the Commercial Real Estate Agent representing both parties.

Policy Implications

Council Policy No. C09-009, Industrial Land Incentives Program, outlines the general terms for the Administration to use in the Lease Agreements. Since using the former terms in a new lease with Sask. Ltd. is not consistent with current policy requirements, City Council approval will be required for this unique exemption.

Other Considerations/Implications

There are no financial, environmental, privacy, or CPTED implications or considerations and a communication plan is not required.

Due Date for Follow-up and/or Project Completion

There is no due date for follow-up and/or project completion.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachments

1. Letter from Commercial Real Estate Agent Requesting Lease Transfer, dated August 22, 2018
2. Map Showing Request for New Lease and Direct Sale Sites

Report Approval

Written by: Jeremy Meinema, Finance and Sales Manager
Reviewed by: Frank Long, Director of Saskatoon Land
Approved by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department

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